



Province of the
EASTERN CAPE
EDUCATION

**NATIONAL
SENIOR CERTIFICATE**

GRADE 11

NOVEMBER 2016

**ECONOMICS P2
MEMORANDUM**

MARKS: 150

This memorandum consists of 13 pages.

SECTION A (COMPULSORY)**QUESTION 1****1.1 MULTIPLE-CHOICE QUESTIONS**

- 1.1.1 B (time) ✓✓
- 1.1.2 C (ineffective allocation of resources) ✓✓
- 1.1.3 B (fixed costs plus variable costs) ✓✓
- 1.1.4 B (poverty) ✓✓
- 1.1.5 A (free movement of goods and services) ✓✓
- 1.1.6 B (encourage the production of environmentally friendly products) ✓✓
- 1.1.7 C (water) ✓✓
- 1.1.8 A (the volatility of the currency) ✓✓ (8 x 2) (16)

1.2 MATCHING ITEMS

- 1.2.1 D The wearing away of natural resources ✓
- 1.2.2 F Strong Western economies ✓
- 1.2.3 E A period where some of the fixed factors of production cannot change. ✓
- 1.2.4 A A localised group of interdependent organisms together with the environment that they depend on ✓
- 1.2.5 I Collusion is possible ✓
- 1.2.6 C Difference between poverty line income and below poverty line income earners ✓
- 1.2.7 H Ensuring a healthy and a continuation of present ecological systems so as to be productive in the present and in the future ✓
- 1.2.8 B People get addicted to them ✓ (8 x 1) (8)
- 1.3 1.3.1 Marginal revenue ✓
- 1.3.2 Income elasticity of demand ✓
- 1.3.3 Poverty trap ✓
- 1.3.4 United Nations ✓
- 1.3.5 Relative prices ✓
- 1.3.6 Externalities ✓ (6 x 1) (6)

TOTAL SECTION A: 30

SECTION B (ANSWER ANY TWO QUESTIONS FROM THIS SECTION.)**QUESTION 2: MICROECONOMICS**

- 2.1 2.1.1 **List any TWO categories of price elasticity of demand.**
- Perfectly elastic demand ✓
 - Elastic demand ✓
 - Unitary elastic demand ✓
 - Inelastic demand ✓
 - Perfectly inelastic demand ✓ (Any 2 x 1) (2)
- 2.1.2 **How do product and factor markets relate to one another?**
 Factors of production are bought by producers from the factor market to produce goods and services which are sold in the product market. ✓✓
 (Accept any relevant explanation.) (2)
- 2.2 2.2.1 **What is the total utility of consuming three apples?**
 15 ✓ (1)
- 2.2.2 **What is the tendency of marginal utility, as consumption of the product increases?**
 Marginal utility tends to decline/decrease. ✓ (1)
- 2.2.3 **Calculate the values of A and B.**
 A = 5 ✓✓
 B = 18 ✓✓ (4)
- 2.2.4 **How does scarcity impact on total utility?**
- Every individual is faced with a scarcity of resources. ✓✓
 - One has to choose which goods and services to buy with their limited resources ✓✓ In order to get maximum satisfaction. ✓✓ (2 x 2) (4)
- 2.3 2.3.1 **What is the main objective of a business?**
- Profits ✓ (1)
- 2.3.2 **Explain ONE way by which a business maximise its growth.**
- Using profits to expand to other parts within a country. ✓✓
 - Using profits to expand beyond the borders of the country. ✓✓
 - Using profits to buy other firms. ✓✓ (2)
- 2.3.3 **How does market share relate to profits?**
 When a business has a larger share of the market it leads to more sales revenue. ✓✓ When sales revenue exceeds production costs it leads to more profit. ✓ (3)

2.3.4 **Distinguish between *accounting* and *economic profits*.**

Accounting profits: It is the positive difference between a company's revenue and its explicit costs. ✓✓

Economic profits: is the positive difference between total revenue and sum of implicit and explicit costs. ✓✓

OR

Accounting profit = Total revenue – Total explicit costs ✓✓

Economic profit = Total revenue – Total (explicit+ implicit) costs ✓✓ (4)

2.4 **Discuss FOUR characteristics of a perfect market.**

- Large number of buyers and sellers – they cannot control price. ✓✓
- Products are homogeneous, which means products are of the same type, quality and appearance. ✓✓
- Freedom of entry and exit – market is totally accessible. ✓✓
- Buyers and sellers have complete knowledge about price, quality and availability of goods. ✓✓
- The market is impartial – no one has an advantage over the other. ✓✓
(Accept any other correct characteristic.) (Any 4 x 2) (8)

2.5 **What would producers benefit by producing at a level that allows them to experience economies of scale?**

- They produce at the lowest cost per unit. ✓✓
- Fewer inputs are needed to produce the same number of output. ✓✓
- Prevents a situation of producing beyond a certain point, where a company would not be managed efficiently. ✓✓
- Producers often buy in bulk and get discounts. ✓✓
- They have a better ability to invest in advanced technology and new equipment. ✓✓
- They can afford to invest in other important business activities, such as marketing. ✓✓
(Accept any relevant answers.) (4 x 2) (8)

[40]

QUESTION 3: CONTEMPORARY ECONOMIC ISSUES

3.1 3.1.1 **List any TWO types of pollution.**

- Land pollution ✓
- Air pollution ✓
- Water pollution ✓
- Noise pollution ✓

(Any 2 x 1) (2)

3.1.2 **Why is it beneficial for a country to engage in free trade?**

- It promotes international trade ✓ and also promotes foreign direct investment. ✓

(2)

3.2 3.2.1 **From the cartoon identify any TWO negative effects of globalisation.**

- Pollution and CO₂ emissions ✓
- Environmental destruction ✓
- Consumer junk ✓

(Any 2 x 1) (2)

3.2.2 **Explain any TWO causes of globalisation.**

Removal of trade tariffs: ✓ It refers to the removal or reduction of trade restrictions such as import duties and import and export quotas. ✓

Transportation: ✓ The increase in the number of transport systems has facilitated globalisation. ✓

Communication: ✓ Technological innovations contributed to the improved transmission of information. ✓

Multinational companies: ✓ They are international companies that operate all over the world – they are not bound by their countries' borders. ✓

International capital markets: ✓ Globalisation opens up capital markets to everyone – people and businesses can invest their money anywhere in the world. ✓

(Accept any relevant answer.)

(4)

3.2.3 **How would Western countries benefit in engaging in trade with the African continent?**

- They would benefit by getting cheap labour from the African continent. ✓✓
- Africa is also rich in all forms of natural resources which they do not have in abundance. ✓✓

(Any 2 x 2) (4)

3.3 3.3.1 **What was the percentage of people living below the poverty line in South Africa in the year 2010?**

20% ✓

(1)

3.3.2 **Explain the concept *Gini coefficient*.**

It is a global indicator used to measure the income distribution between different groups of people. ✓✓

(2)

3.3.3 How according to the extract is the austere poverty line explained?

Austere poverty line stipulates the threshold below which one has to sacrifice some food to obtain some non-food items, √√ for example transportation costs and airtime. √

(3)

3.3.4 How has the South African government tried to alleviate poverty?

- The government has come up with the following strategies: RDP, GEAR, ASGISA, New Growth Path. √√
- Supplies free basic services like water and electricity to poor people. √√
- Creating employment opportunities through the department of public works using the public works programme √√
- Promoting entrepreneurship and improving performance and sustainability of small and microenterprises. √√
- Training schemes to develop skills. √√
- Increase land ownership. It is state policy to redistribute land to ensure that black people own more particularly agriculture and residential property. √√

(Accept any relevant answers.)

(Any 2 x 2)

(4)

3.4 Discuss disparities in income levels and lack of education as causes of poverty.

Disparities in income levels

The wages and salaries earned for various jobs are not the same. √√ There are high paying jobs in the financial and technological sectors. Workers in the low-paying jobs will not be able to satisfy their basic needs. √√ (2 x 2)

Lack of education

Many poor countries are unable to fund education. √√ This leads to a large percentage of the population being uneducated and lacking in skills that are needed in the workplace. √√ Lack of educational qualifications usually leads to lower productivity, lower income levels and lower employment. √√ (2 x 2)

(8)

3.5 Why would a country prefer foreign direct investment as opposed to portfolio investments?

- Foreign direct investment is when a country establishes a business enterprise in another country √√ while portfolio investments are investments in shares. √√
- It increases the gross domestic product of the recipient country. √√
- The creation of jobs is enhanced, √√ while portfolio investments do not have that much impact in changing the lives of people.
- Expertise from the developed countries adds to the list of advantages. √√
- This leads to the improvement in the standard of living. √√
- Portfolio investments are easily moved from one country to the other, √√ and with FDI's it is not that easy to disinvest – it is normally the last option.

(Accept any relevant answers.)

(4 x 2)

(8)

[40]

QUESTION 4: MICROECONOMICS AND CONTEMPORARY ECONOMIC ISSUES

4.1 4.1.1 **List TWO examples of complementary goods.**

- Tennis ball and a tennis racket ✓
- Bread and butter ✓

(Accept any other relevant correct examples.)

(2 x 1) (2)

4.1.2 **What effect does a price elastic demand have on a producer?**

It tells the producer that, should the price of a product increase:

- The quantity demanded decreases leading to a decrease in total revenue. ✓✓
- It will be easy for the consumer to substitute the expensive product for the cheaper product and the producer will lose customers. ✓✓

(Accept the opposite, that is, the effect of decrease in price.) (1 x 2) (2)

4.2 4.2.1 **Explain the concept *total revenue*.**

- Total revenue is the value of sales that have taken place. ✓✓
- Total revenue equals the price of each unit multiplied by the quantity sold. ✓✓

(1 x 2) (2)

4.2.2 **Identify and explain point A from the graph.**

Break-even point. ✓✓

Point A where total revenue and total costs are equal. ✓✓

(4)

4.2.3 **Calculate profit /loss from the above when production is at 6 units.**

$$TR = P \times Q = 15 \times 6 = 90 \quad \checkmark$$

$$TC = C \times Q = 10 \times 6 = 60 \quad \checkmark$$

$$\text{Profit} = TR - TC$$

$$= 90 - 60$$

$$= 30 \quad \checkmark\checkmark$$

(4)

4.3 4.3.1 **How much did it cost Mpumalanga to neutralise the effects of acid rain?**

25 million per year ✓

(1)

4.3.2 **Explain the term *carbon dioxide emissions*.**

It is a gas that creates the greenhouse effect leading to global warming. ✓✓

Carbon dioxide emissions are those stemming from the burning of fossil fuels and the manufacture of cement. ✓✓

They include carbon dioxide produced during the consumption of solid, liquid and gas fuels and gas flaring. ✓✓

(Any 1 x 2) (2)

4.3.3 **List three economic consequences of land degradation.**

- Dam sedimentation ✓
- High costs in cleaning water ✓
- Loss of jobs in farms ✓
- Shortage of water ✓

(Accept any relevant answers.)

(Any 3 x 1) (3)

4.3.4 Distinguish between *renewable* and *non-renewable resources*.

Renewable resources: Natural resources that replace themselves after being used i.e. vegetation. ✓✓

Non-renewable: Not in a position to replace themselves e.g. mineral resources. ✓✓

(4)

4.4 Discuss private property rights and voluntary agreements as approaches to sustaining the environment.

Property rights

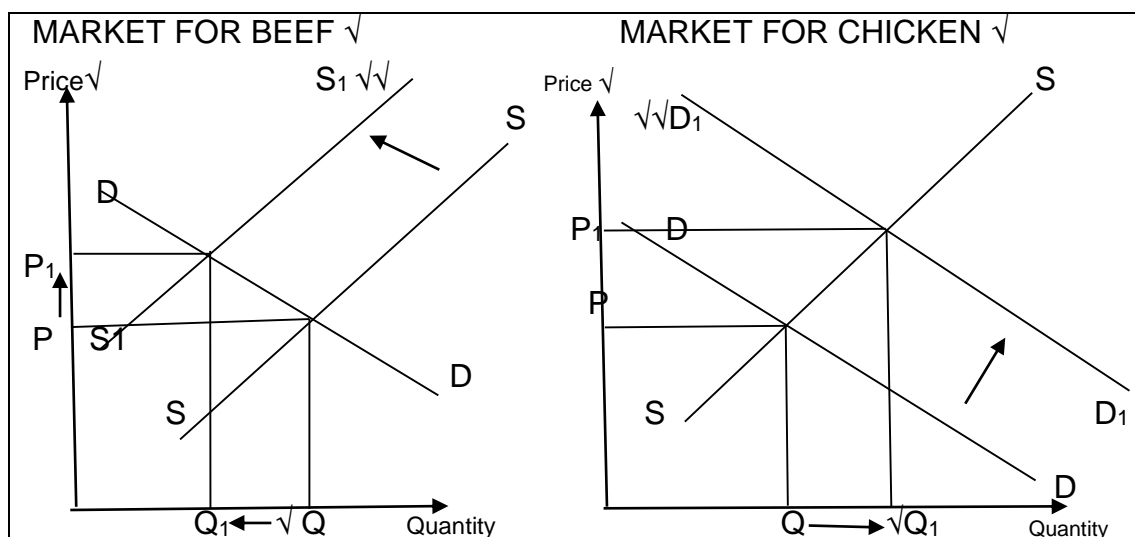
- If people had property rights to fauna and flora they would care for them and prevent them from becoming extinct. ✓✓
- They could use their property rights for financial gain to allow guided tours. ✓✓
- When farmers get property rights to game on their farms, they look after the game and can earn income from tourists viewing the game. ✓✓
- This protects flora and fauna. ✓✓ (Any 2 x 2)

Voluntary environmental agreements:

- Organisations agree to comply voluntarily with the environmental laws and regulations. ✓✓
- An organisation that designs and implements an environmental management system which is certified by a controlling body. ✓✓ It is regularly audited to ensure compliance with environmental regulations. ✓✓ (2 x 2)

(8)

4.5 Graphically illustrate the effect of an increase in the price of beef when consumers substitute beef for chicken.



MAX 4 MARKS FOR EACH GRAPH

(8)

[40]

TOTAL SECTION B: 80

SECTION C

Answer any ONE of the two questions from this section in the ANSWER BOOK.

STRUCTURE OF ESSAY	MARK ALLOCATION
<p>Introduction</p> <ul style="list-style-type: none"> • A good starting point would be to define a concept or key word that appears in the question. • Include other sentences to support the topic. • Do not include in your introduction any part of the question. • Do not repeat any part of the introduction in the body. • Avoid saying in the introduction what you are going to discuss in the body. 	Max. 2
<p>Body</p> <p>Main part: Discuss in depth/In-depth discussion/Examine/Critically discuss/Analyse/Compare/ Evaluate/Distinguish/Explain/Assess/Debate</p> <p>Additional part: Give own opinion/Critically discuss/Evaluate/Critically evaluate/Draw a graph and explain/Use the graph given and explain/Complete the given graph/Calculate/ Deduce/Compare/Explain/ Distinguish/Interpret/Briefly debate</p>	<p>Max. 26</p> <p>Max. 10</p>
<p>Conclusion</p> <p>Any relevant higher order conclusion that should include:</p> <ul style="list-style-type: none"> • A brief summary of what has been discussed / analysed without repeating facts already mentioned in the body • An opinion or valued judgement on the facts discussed • Additional support information to strengthen the discussion / analysis • A contradictory viewpoint with motivation, if so required <p>Recommendations</p>	Max. 2
TOTAL	Max. 40

QUESTION 5: MICROECONOMICS

The behaviour of economic participants can well be explained through the market structures.

Compare in detail features of a monopoly with those of a monopolistic competition (include examples in your discussion). (26 marks)

Explain why the government would support/licence monopolies. (10 marks)

INTRODUCTION

Any market that does not have all characteristics of perfect markets is called an imperfect market. This is also the case with monopolies and monopolistic markets. √√ (2)

BODY

CHARACTERISTICS	MONOPOLY	MONOPOLISTIC
Number of firms in an industry	A single supplier or firm √ e.g. Eskom. √ There is no competition. One business in the market controls the supply of the goods and services. √√	A large number of firms or suppliers √ e.g. KFC, Nandos and tagos. √ There is an element of competition. √√
Product	A unique product is produced. √ There are no close substitutes. √√ The product cannot be easily replaced. √√ Consumers have no choice in price and quality of the product. √√	Differentiated products, √ Products are similar but not identical. √√ They are similar in that they satisfy the same need of the consumer. √√ There may be differences in packaging but the product is the same. √√
Freedom to enter and exit The market	There are barriers to entry . √ Entry into the market is completely blocked. √√ The barriers are caused by patents and other forms of intellectual property rights. √√	Easy entry into the market . √ There is complete freedom of entry and exit into the market. √√
Slope of the demand curve	Downward sloping demand curve for the firm √ and the same curve for the Industry. √√ It is also inelastic. √√	Downward sloping demand curve for the industry , √ and is elastic. √√

Control over price	The firm is a price maker ✓ The monopolist is able to influence the market through changing the quantities it supplies to the market. ✓✓	Firms have little control over the price. ✓ Each business sells at its own price. ✓✓ since a single price cannot be determined for the differentiated product ✓✓
Relative market share	Total market belongs to one firm. ✓✓	Relatively small share of the total market ✓✓
Information	There is perfect knowledge and information is complete. ✓✓	Information is incomplete. ✓✓
	Max. 13	Max. 13

(26)

ADDITIONAL PART**Explain why the government would support monopolies.**

- To protect the intellectual skill and rights of the producer. ✓✓
 - Some products are very dangerous for there to be too many companies producing or providing the service; there needs to be a level of accountability. ✓✓
 - To motivate the producer to continue with the skill, grow the company and employ more people. ✓✓
 - From the economic profits made, government to get more revenue in terms of tax. ✓✓
 - To be able to monitor the company, especially if it provides an essential service like electricity, i.e. price, provision of electricity to all, e.g. in rural areas and the consistency in doing that. ✓✓
- (Accept relevant correct explanations.)

(10)

CONCLUSION

Both market structures tend to be inefficient because imperfect markets fail to allocate resources efficiently.

(Accept any relevant conclusion.) ✓✓

(2)
[40]

QUESTION 6

Over the years' economies have evolved and there has been a lot of change. Regardless of the change a great disparity exists between the rich and the poor.

In the light of the above discuss the factors contributing to the North and South divide. (26 marks)

How would the gap between the North and South divide be reduced? (10 marks)

INTRODUCTION

The North and South divide is a socio-economic and political division that exists between the wealthy developed countries referred to as the North, and the poor developing economies referred to as the South. √√
(Accept any relevant introduction.)

(2)

BODY**Capitalism** √

- Capitalism is known to lead to inequality because it is based on the profit motive and the accumulation of wealth. √√
- The nature of capitalism results in developed countries with a comparative advantage accumulating wealth at the cost of developing countries. √√

Globalisation √

- Globalisation is the leading cause of inequality across the world. √√
- It happens that developed countries exploit poorer countries to a point where developing countries become dependent on developed countries for survival √√.

Rate of development √

- Countries in the north and south have different levels of economic growth. √√
A slow rate of development refers to a developing country in the South while a high rate refers to a developed country in the North. √√

Emergence of economic powers √

- Developed countries with access to capital obtain economic power. √√
- They can produce goods more efficiently, develop and produce technology goods for other countries. √√
- The struggle between economic powers make it more difficult for developing countries to compete. √√

International infrastructure √

- The countries of the North have most of the transport systems that need to get to get their goods and services to and from the international markets. √√
- The international telecommunications network are almost completely under the control of countries of the North. √√

New technologies ✓

- The research development and production of new technologies are in the hands of large corporations in the North. ✓✓
- These technologies are essential for development processes in the south, but they are available to the south at a price. ✓✓

Financial aid and debt ✓

- Many countries in the South obtained funds on credit from the wealthy countries in the north, usually at very high interest rates. ✓✓
- Most of these developing countries build up huge foreign debts when they do not pay of the loans as agreed. ✓✓ This is because of inefficient use of funds or depreciation of currencies of developing economies. ✓✓

Colonialism ✓

- For a very long time countries in the north colonised undeveloped areas in the south. ✓✓
- The developed counties exploited natural resources of the colonies for their own enrichment. ✓✓ This limited the development of the colonies. ✓✓

ADDITIONAL PART

- By using millennium development goals to develop further on open, rule based, non-discriminatory and trading financial systems. ✓✓
- Address special needs of the least developed countries. ✓✓
- Address special needs of landlocked developing countries and small island developing states. ✓✓
- Deal comprehensively with debt problems of developing countries. ✓✓
- Assist developing economies with access to capital for growth through industrialisation ✓✓

(Accept any relevant answers.)

(10)

CONCLUSION

Even though South Africa as a country is amongst the developing economies of the south, compared to most African countries, it is relatively better, and has the potential of comparing with the best in the world. ✓✓

(Accept any relevant conclusion.)

(2)

[40]

TOTAL SECTION C:	40
GRAND TOTAL:	150